

Rochester Tel Center
180 South Clinton Avenue
Rochester, New York 14646-0995

Tel: 716-777-7270
Fax: 716-546-7823

Gregg C. Sayre



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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Re: CC Docket No. 95-115

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Dear Mr. Caton:

Enclosed for filing please find an original plus nine (9) copies of the Comments of Rochester Telephone Corp. in the above-captioned proceeding.

To acknowledge receipt, please affix an appropriate notation to the copy of this letter provided herewith for that purpose and return same to the undersigned in the enclosed, self-addressed envelope.

Very truly yours,

Gregg C. Sayre
General Attorney

GCS/hmj
Enclosures (10)

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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SEP 27 1995

In the Matter of

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Amendment of the Commission's

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Rules and Policies to Increase

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CC Docket No. 95-115

Subscribership and Usage of the

)

Public Switched Network

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COMMENTS OF ROCHESTER TELEPHONE CORP.

Rochester Telephone Corp. ("Rochester") submits these comments in response to the Commission's July 20, 1995 Notice of Proposed Rulemaking ("Notice") initiating this proceeding. In summary, Rochester urges the Commission to leave this area of Universal Service to State regulatory bodies, which have more knowledge about their populations and problems, and which have the ability to craft far more effective remedies for low subscribership than the remedies proposed in the Notice.

1. State Commissions Have More Knowledge.

In the Notice (para. 30), the Commission cites the Pennsylvania experience as evidence for the proposition that subscribership will increase when LECs are prohibited from denying local service for nonpayment of toll services. The Commission also notes (Notice, para. 11) a small difference between states with rules and those without rules prohibiting termination of local for nonpayment of toll services (hereafter, "no-blocking

rules"). These few data are completely insufficient information to justify the undertaking of a massive nationwide change in systems, practices and procedures at great expense. The New York statistics are instructive in this respect. New York's no-blocking rule was implemented in October, 1992. Order Approving Settlement Agreement, Case 90-C-1148 (Issued and Effective Aug. 7, 1992), Attachment, paras. 2 and 3. New York's subscribership, however, has shown a substantial decrease over the following two years, from 93.5% in November 1992 to 92.7% in November 1994. Common Carrier Bureau Monitoring Report, Table 1.2. It is apparent that the existence of a no-blocking rule does not explain the differences among the states in subscribership levels.

Further, as the Notice states elsewhere (para. 1), other factors seem to play a far more significant role than no-blocking rules in determining subscribership. For example, ethnic and rural factors seem to be highly significant, at least statistically. It would appear to Rochester that the factors with the largest impact should be addressed first. But in any event, a decision of this kind should be made on the basis of real knowledge, not a few statistics.

Rochester submits that far more information is needed before the Commission embarks on a major rewrite of telephone credit and collection practices, especially in light of the more effective remedies available to the States, the large costs involved and the technical infeasibilities identified below. From the statistics, it appears to be the case that the problem lies in small pockets, not across the board with the full spectrum

of customers that would be impacted by a no-blocking rule. However, it also appears that the Commission simply does not have the resources to target a narrow-gauge plan to particular pockets of low subscribership as opposed to taking a "shotgun" approach. A narrow-gauge approach would appear to be the type of approach best suited to State action. The Commission should therefore work with State Regulatory Commissions to address this issue in a more targeted, less expensive and more effective fashion than that proposed in the Notice.

2. A State No-Blocking Remedy Is Far More Effective.

This Commission only has the jurisdiction to make rules with respect to interstate toll, not intrastate toll and other intrastate services as they relate to the provision of local service. Under the status quo, the States have a far more effective tool. Because the Commission has allowed the States to determine the blocking rule for interstate toll, and because the States (and not the Commission) have the authority to determine the blocking rule for intrastate toll and other services, only a State Commission has the legal authority to prescribe a rule that local service must not be denied for nonpayment of any toll service. States can even go so far as establishing a rule that basic local service will not be denied for nonpayment of nonbasic local services, and a number of states have done so, including Pennsylvania and New York. The rule currently proposed by the Commission would apply only to interstate toll. Interstate toll is obviously less than all toll, and far less than all nonbasic services. Establishing a rule

based on interstate toll only is likely to have far less impact on subscribership than the rules that the States could adopt, and that a number of them have already adopted. Thus, once again, it appears that this issue is properly one that should be decided by State Regulatory Commissions.

3. The Proposed No-Blocking Rule Would Be Extremely Expensive.

The mere fact that several states have adopted rules on this subject does not mean that the proposed rules would be simple or inexpensive to adopt. In New York, for example, the no-blocking rule was the subject of a court appeal and exhaustive negotiations, eventually leading to a compromise that was feasible, although very expensive. Rochester was ultimately required to make major modifications to its billing, collection, treatment and cash systems, costing several millions of dollars and taking several years to implement.

The volume of transaction processing involved in any no-blocking rule is very substantial. Rochester's experience is that approximately 10% of its residential customers make partial payments, every month. Every partial payment would require allocation under the proposed rule. From both a cost and operational standpoint, the difficulty with the prohibition of terminating local service for nonpayment of other services is that every single part payment must be allocated into "buckets," so that it can be determined whether the charges for local service have been paid. In New York, the "basic local service" bucket is filled first in the event of a part payment, then a "LEC

intraLATA toll" bucket, then an "other regulated LEC services" bucket, and finally an "all other" bucket receives any remaining funds from the partial payment. It was necessary in New York to establish rules to answer questions such as the following, and any Federal rule would have to answer these and many more questions:

- Is the customer allowed to specify which services are covered by a partial payment? (New York answer: no; it would be far too costly to set up such a system.)

- If the customer makes an exact payment of a prior bill, but there is also a current bill outstanding, which "buckets" will be filled? (New York answer: an exact part payment may be allocated to basic local and other services on the prior bill, leaving a balance for basic local on the newer bill, but a non-exact part payment must be allocated first to basic local services on both bills.)

- If the customer makes a non-exact payment of a prior bill after a new bill has been issued but before the new bill is due, how should the payment be allocated? (New York answer: there are different results depending on the billing date compared to the payment date.)

- Should the various payment categories be reflected on the bills, and if so, how? (New York answer: yes, with each LEC given a substantial degree of freedom to format its bill.)

- Should the new payment allocation scheme be implemented at the same time for all LECs? (New York answer: no, each LEC had a separate schedule.)

- Should the payment allocation scheme be applied to business customers, and if so, how? (New York answer: no.)

Rochester submits that these are not the types of questions appropriately addressed in a Federal forum, because they are the type of carrier-specific issues best left to State Regulatory Commissions. This Commission does not have the resources to oversee the individual problems that would necessarily arise if all LECs were required to make substantial changes in their vastly different credit, billing, collection, cash and treatment systems and practices. Yet all of these questions must be answered to establish any rule prohibiting the termination of one service for nonpayment of another service. At the very least, it is clear that the proposed no-blocking rule is far too vague for implementation at this time. Again, Rochester submits that these issues should be left to the State Regulatory Commissions.

4. The Proposed No-Blocking Rule is Infeasible.

The tentative conclusion in paragraph 29 of the Notice, that there is no technical barrier to the provision of local separately from interstate toll service, is simply wrong. Rochester has no means of blocking interstate toll separately from other services, including intrastate toll. Rochester frequently uses overall toll blocking, but it would be exceedingly difficult and costly to have one rule for interstate toll and another for intrastate toll. Unless the Commission proposes to preempt the States and establish a no-blocking rule for all toll, Rochester would have no means to comply with the

proposed rule. Neither does Rochester have the capability of allocating part payments between interstate and intrastate toll, nor does the Notice even suggest an algorithm for doing so.

The relationship of the proposed no-blocking rule to existing State regimes is also highly unclear. Rochester cannot ascertain whether it would be expected, in New York, to track and deny interstate toll separately from intrastate toll. If so, such a requirement would certainly cost Rochester millions of dollars, and take many person-years to implement, and Rochester fails to see what, if anything, such a requirement would add to the existing New York regime in terms of improving subscribership.

While an interstate-only system could eventually be built with an enormous expenditure of time and money, it would be far less effective than the kind of no-blocking rule that is now within the power of the States. Thus, once again, it appears clear that this entire issue is appropriately a State matter.

5. The Other Proposals in the Notice Suffer From Similar Defects.

The proposal to require LECs to offer blocking of interstate long distance service at a reasonable price presents the same problems. In general, LECs do not have this kind of targeted blocking capability and Rochester, for one, could not develop it without expending a great deal of time and money. In any event such a service would be very unlikely to have any substantial effect on subscribership in a state with New York's no-blocking rules.

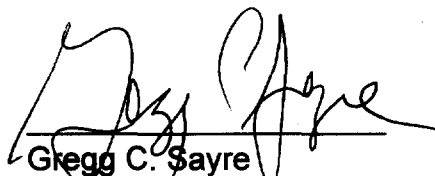
The same problems apply to interstate toll "caps" and changes in LECs' deposit practices. Unless the Commission intends to preempt the field of intrastate toll as well as interstate toll, which Rochester believes is beyond the Commission's authority, Rochester would be unable to implement the proposals because Rochester's switching and treatment systems do not distinguish between interstate interLATA toll and intrastate interLATA toll.

Conclusion

The proposed no-blocking rule, prohibiting the denial of local service for nonpayment of interstate toll services, would require LECs to develop payment tracking and service blocking mechanisms that would cost a great deal of money, yet would be less effective than the no-blocking rules that are presently within the jurisdiction of the States. The Commission has neither the facts establishing the need for the proposed rule, nor the answers to the multitude of difficult questions that must be answered to implement any such rule. This matter should be, and in fact has already been, appropriately dealt with by State Regulatory Commissions. Unless the Commission were to change the proposal so as to make a wholesale preemption of State rules with respect to intrastate toll and other intrastate services, the proposed rule would be ineffective. And it is far from clear that such a preemption is within the Commission's jurisdiction. The same problems hold true with the other proposals in the Notice.

Rochester therefore urges the Commission to work with the States on these issues, but not to attempt to prescribe a Federal solution.

Respectfully submitted,



Gregg C. Sayre

General Attorney

180 South Clinton Avenue
Rochester, New York 14646
(716) 777-7270

September 26, 1995